

FAQ's on Margin Trading and client funding

- 1) If there is a debit on 8th Aug of amount 1 lac (debit of 1st Aug) and client sell the stock and clear the debit (1 lac) of 1st august in other segment then it should be block for further exposure or it open for trading against the debit amount for T+2+5.

Reply: It can be opened for trading, rather the client should clear his debit of T day by 7th Trading day.

- 2) If there is a debit on 8th Aug of amount 1 lac (debit of 1st Aug) and client has given a cheque of that amount then it should be block for further exposure or it open for trading against the debit amount for T+2+5.

Reply: It can be opened for trading on 8th August. However, it should be ensured that the cheque is cleared within the normal bank clearing period. If not, then it would be treated as non-compliance.

- 3) If debit is 10,000 T+2+5 and client sold the stock 20,000 ,in this case the stock broker can allow further exposure same day to client and if allow then how much he stock broker can give exposure to client.

Reply: Yes the stock broker can allow the exposure after sale of stock on T+2+5 trading day, due to which the client is out of debit of T day. There is no cap on exposure.

- 4) Is there minimum amount for do not block the clients to further exposure (T+2+5)

Reply: No minimum amount.

- 5) Extension of timelines for Margin Trading reporting: Currently members are required to report Margin Trading details by 12 noon. In view of the short time lines and the voluminous details being sought can BSE grant extension of 1 working day to members to report the above details

Reply: It is a SEBI requirement.

- 6) Clarification regarding Separate bill requirement:-

For Example:- If clients registered in MTF and eligibility in MTF is Rs10 lac. Now client bought Rs.1 lac stock in approved scrips and Rs.50K in Unapproved Scrips. So whether the stock broker have to post separate bill for Rs. 1 lac in MTF ledger and Rs.50K in Normal (BSE Cash) Ledger. **OR** the stock broker can post Rs.1.5 lac (1 lac+ 50K)bill in BSE ledger and at the same time give credit in Normal (BSE ledger) of Rs.1 lac and debit in MTF Ledger of Rs.1 lac.

Reply: Any way it is allowed. The stock broker should frame a policy and make it as part of your rights and obligations. However the contract note/communication to the client should contain remarks towards transaction considered as margin trading.

- 7) If client margin shortfall by Rs.1 then whether margin call required under MTF?

Reply: Yes

8) Clarity required on Provisions related to Maintenance margin

Reply: If value of collateral provided as margin goes down as compared to the margin required, then margin call should be made. Further, if value of funded stock also goes down such that the MTM Loss and the margin requirement exceeds the collateral available, margin call to be made.

9) Requirement for separate bank account / BO account / client DP account / collateral account under MTF.

Reply: There is no specific requirement for separate accounts. However, segregation of transaction (e.g. in back office) as margin trading is must. Further segregation of funded and collateral stock is mandatory.

10) If the stock broker have given funding on approved Scrip and later on in monthly revised Approved list scrip on which we have given funding removed, so whether the stock broker has to clear outstanding or it can be continue as they have funded at the time when scrip was approved or what cooling period will be allowed.

Reply: The portfolio should be as per existing approved list. It cannot continue as MTF stock and will have to be moved to normal ledger.

11) Whether TM can give direct pledge from broking BO to NBFC or need to be moved from MTF collateral?

Reply: Both are allowed. However, there should be well documented policy and should be part of Rights and Obligations.

12) Additional precautions which is to be taken to manage risk under MTF.

Reply: The stock broker must have strong risk management system.

13) In case client given wrong declaration of MTF registration with other broker then why TM should penalize?

Reply: Not Applicable

14) In case client sell the stock on T+8 days for a value over and above debit of original T day,

(a) In this case when TM can allow further exposure to client.

Reply: Yes TM can allow the exposure after sale of stock on T+2+5 trading day, due to which the client is out of debit of T day. The stock broker should document and adopt consistent accounting policy to that effect.

(b) In the given case suppose if client provides cheques and deposit the same on T+8 days, whether TM can allow exposure or wait for its realization.

Reply: It is advisable to wait for realization. The stock broker should document and adopt consistent accounting policy to that effect.

- (c) Practical difficulties for restriction on exposure beyond t+2+5 days for amount Re. 1/-
Reply: There is regulatory restriction on exposure beyond T+2+5 for T day debit, irrespective of amount.

15) Whether MTF interest is liable to GST?

Reply: Stock broker to consult appropriately.

16) When a client is availing MTF and doing normal trading, can all unpaid shares under normal trading be treated as under MTF if not paid within say T+2 or T+2+5? Can the stock broker have a clause to that effect in the Margin Trading terms and conditions?

Reply: The same has to be informed at the time of buying or before reporting by the stock broker, since reporting of margin trading for the trading day has to be done by next day 12 Noon. Yes, in accordance with SEBI circular.

17) Can the stock broker have multiple UCC under single broker as there will be separate ledger for MTF / Normal?

Reply: Yes

18) Whether the amount reflected in "Margin trading ledger" needs to be included as a part of "Total Client Debit / Credit balance" which is submitted under Enhance supervision?

Reply: Yes

19) Under MTF, can a client transfer their holding?

Reply: Yes

20) Possible to rectify MTF reporting, if yes then what will be time frame?

Reply: As per SEBI mandate the cut off is T+1 day 12 noon.

21) Is it possible to pass the JV from Normal ledger to MTF or MTF to Normal Ledger?

Reply: Yes. However there should be documented policy which should be followed consistently and to be part of Rights and Obligations.

22) Under MTF, what the interest we are charging is DPC or interest (As there is GST different slab).

Reply: Stock broker to consult appropriately.